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***ECONOMIC
INVESTMENT
TRUST
LIMITED***



**Forty-Second
ANNUAL REPORT
December 31, 1968**

Board of Directors

A. BRUCE MATTHEWS, C.B.E., D.S.O.

Chairman of the Board

Chairman, The Excelsior Life Insurance Co.

R. C. BERKINSHAW, C.B.E., Q.C., LL.D.

Director

The Goodyear Tire & Rubber
Co. of Canada Ltd.

FREDERICK W. P. JONES

Professor

School of Business Administration
University of Western Ontario

GRAHAM MORROW, O.B.E.

Director

National Trust
Company

H. N. R. JACKMAN

Vice-President and Director

Dominion and Anglo
Investment Corporation

LAWRENCE W. SKEY, D.F.C.

Director and Treasurer

Scudder International
Investments Ltd.

Officers

A. BRUCE MATTHEWS

Chairman

LAWRENCE W. SKEY

Managing Director

ROBERT W. INGLIS, C.A.

Secretary-Treasurer

Head Office 44 KING STREET WEST, TORONTO, ONTARIO

Shares Listed TORONTO STOCK EXCHANGE

Bankers CANADIAN IMPERIAL BANK OF COMMERCE

Auditors CLARKSON, GORDON & CO.

Transfer Agent and Registrar CANADA PERMANENT TRUST COMPANY

DIRECTORS' REPORT TO THE SHAREHOLDERS

To be presented at the Forty-Second Annual Meeting to be held on February 17, 1969

NET ASSET VALUE

Net asset value per common share increased by 24.4% during 1968, from \$17.38 at December 31, 1967 to \$21.62 at the close of 1968.

A comparative schedule of the Trust's performance compared with that of two popular indices is set out below:

	Annual Increase or (Decrease)		
	Economic	T.S.E. Industrials	Dow Jones Industrials
1968	24.4%	16.4%	4.3%
1967	24.9	9.9	15.1
1966	(13.7)	(12.4)	(18.8)
1965	5.7	1.6	11.0

The investment portfolio of the Trust is shown on pages 8 to 10 of this Report and a financial summary covering the life of the Trust is set out on the inside back cover.

EARNINGS AND DIVIDENDS

Net income for 1968, after provision for income taxes, amounted to \$732,823. After payment of dividends on the preferred shares amounting to \$241,941, a balance of \$490,882 or 48 cents per share remained available for the common shares. This represents a reduction of 4 cents per share from the net income of 52¢ per share earned in 1967.

Reference was made in the 1967 Annual Report to the fact that certain large non-recurring dividend receipts in that year would probably not be repeated in 1968. This has proved to be the case and accounts for the moderate reduction in net income per share. Your Directors decided, however, to maintain the dividend at the same annual rate as 1967, i.e., 44 cents per share. We anticipate a modest increase in net income per share for 1969, subject to a continuance of present dividend levels.

RETIREMENT OF PREFERRED SHARES

During 1968, 1,280 5% preferred shares, Series "A" were purchased at a discount on the Toronto Stock Exchange and have been cancelled. A bid for additional shares is being maintained on the Exchange. Since January 1, 1967 a total of 3,595 shares have been purchased for cancellation.

OUTLOOK FOR 1969

Continuance of the high level of business activity seems probable for most of 1969 although the pressures of rising costs and exceptionally high interest rates will undoubtedly have some effect on corporate profits. Efforts by monetary authorities to control inflation and the money supply have not, as yet, succeeded in controlling the rising cost of money and of living.

The demand for equities of virtually every type and quality has increased during the year and a considerable number of new issues have been successfully marketed. Your Directors believe that continued emphasis on quality common stocks or securities convertible into common stocks is indicated to offset the effects of inflation and ensure the long-term growth of the Trust.

SAVINGS AND RETIREMENT PLANS

Your Directors again wish to call attention to the Trust's Dividend Reinvestment Plan, under which common shareholders may add to their investment at regular intervals.

Also available is the Economic Investment Trust Retirement Savings Plan, approved by the Department of National Revenue. The value of either preferred or common shares of the Trust deposited with the Trustee for the Plan is deductible from an individual's taxable income. Payments into a Plan on account of the 1968 taxation year can be made until February 28, 1969.

Further information regarding the above plans is available at the Head Office of the Trust.

DIRECTORS

Directors retiring at the forthcoming Annual Meeting in accordance with the By-laws are Dr. R. C. Berkinshaw and Messrs. H. N. R. Jackman and A. Bruce Matthews. They are eligible for re-election.

On behalf of the Board.

A. BRUCE MATTHEWS,
Chairman.

Toronto, Canada
January 24, 1969

ECONOMIC INVESTMENT TRUST LIMITED

(Incorporated under the laws of Canada)

BALANCE SHEET

December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS	1968	1967
Cash, including short-term deposit receipts		\$ 1,120,597
Investments at market values	\$27,586,904	22,226,227
(Cost—1968—\$17,832,606; 1967—\$15,862,818)		
Due from brokers for securities sold	199,285	2,261
	<u>\$27,786,189</u>	<u>\$23,349,085</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Due to bank	\$ 314,532	
Due to brokers for securities purchased	66,563	\$ 267,268
Accounts payable and accrued charges	10,853	1,806
Income taxes payable	1,566	3,914
	<u>393,514</u>	<u>272,988</u>

Shareholders' equity:

Share Capital —

Authorized:

196,405 preferred shares of \$50 par value
(exclusive of 3,595 shares redeemed)

2,500,000 common shares of no par value

Issued:

96,405 5% cumulative preferred shares Series A,
redeemable at \$52.50 \$ 4,820,250 \$ 4,884,250
(1967—97,685 shares) (note)

1,032,940 common shares 4,116,691 4,116,691

Surplus —

Contributed surplus 586,475 572,669

Capital surplus arising under Section 61 of the Canada
Corporations Act 152,854 102,660

Earned surplus 409,764 423,569

Accumulated surplus on sale of investments 7,552,343 6,612,849

Unrealized appreciation of investments 9,754,298 6,363,409

Total shareholders' equity 27,392,675 23,076,097

\$27,786,189 \$23,349,085

On behalf of the Board:

A. BRUCE MATTHEWS, Director

LAWRENCE W. SKEY, Director

STATEMENTS OF REVENUE AND EXPENSES AND EARNED SURPLUS

REVENUE AND EXPENSES

EARNED SURPLUS

(5)

ECONOMIC INVESTMENT TRUST LIMITED

STATEMENTS OF CONTRIBUTED SURPLUS, CAPITAL SURPLUS, ACCUMULATED SURPLUS ON SALE OF INVESTMENTS, AND UNREALIZED APPRECIATION OF INVESTMENTS

For the year ended December 31, 1968
(with comparative figures for the year 1967)

CONTRIBUTED SURPLUS

	1968	1967
Balance at beginning of year	\$ 572,669	\$ 559,579
Add excess of par value of preferred shares redeemed over repurchase price thereof	13,806	13,090
Balance at end of year	<u>\$ 586,475</u>	<u>\$ 572,669</u>

CAPITAL SURPLUS

Balance at beginning of year	\$ 102,660	Nil
Add appropriation of earned surplus on the redemption of preferred shares in accordance with Section 61 of the Canada Corpora- tions Act	50,194	102,660
Balance at end of year	<u>\$ 152,854</u>	<u>\$ 102,660</u>

ACCUMULATED SURPLUS ON SALE OF INVESTMENTS

Balance at beginning of year	\$ 6,612,849	\$ 5,772,413
Net surplus on securities sold	939,494	840,436
Balance at end of year	<u>\$ 7,552,343</u>	<u>\$ 6,612,849</u>

UNREALIZED APPRECIATION OF INVESTMENTS

Balance at beginning of year	\$ 6,363,409	\$ 3,723,782
Net increase for year	3,390,889	2,639,627
Balance at end of year	<u>\$ 9,754,298</u>	<u>\$ 6,363,409</u>

ECONOMIC INVESTMENT TRUST LIMITED

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 1968
(with comparative figures for the year 1967)

	1968	1967
Net assets at beginning of year	\$23,076,097	\$19,613,106
Additions:		
Net surplus on securities sold	939,494	840,436
(proceeds of sales—1968, \$5,646,402; 1967, \$5,835,158)		
Increase in unrealized appreciation of investments	3,390,889	2,639,627
Net profit for year	732,823	788,772
	<u>5,063,206</u>	<u>4,268,835</u>
Deductions:		
Cost of 1,280 preferred shares redeemed	50,194	102,660
Dividends paid—on preferred shares	241,941	248,690
—on common shares	454,493	454,494
	<u>746,628</u>	<u>805,844</u>
Net increase for year	4,316,578	3,462,991
Net assets at end of year	<u>\$27,392,675</u>	<u>\$23,076,097</u>

NOTE TO FINANCIAL STATEMENTS

December 31, 1968

During the year the company purchased 1,280 preferred shares for redemption at a cost of \$50,194. The excess of the par value of these shares (\$64,000) over their purchase price has been credited to contributed surplus.

AUDITORS' REPORT

To the Shareholders of
Economic Investment Trust Limited:

We have examined the balance sheet of Economic Investment Trust Limited as at December 31, 1968 and the statements of revenue and expenses, contributed surplus, capital surplus, earned surplus, accumulated surplus on sale of investments, unrealized appreciation of investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Securities owned at December 31, 1968 were verified by confirmation received directly either from the custodian or from brokers in respect of securities purchased but not received.

In our opinion these statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 14, 1969.

CLARKSON, GORDON & CO.,
Chartered Accountants.

ECONOMIC INVESTMENT TRUST LIMITED

PORTFOLIO AS AT DECEMBER 31, 1968

BONDS AND DEBENTURES (4.73% of net assets)

	Par Value	Market Value
Bramalea Consolidated Developments Ltd. 7½ % Convertible Debentures due October 1, 1988	\$ 250,000	\$ 342,500
General Electric Overseas Capital Corp. 4¼ % Convertible Bonds due December 1, 1985	200,000	210,210
The Oshawa Wholesale Ltd. 5½ % Convertible Subordinated Debentures due November 15, 1985	157,000	471,000
Westcoast Transmission Company Ltd. 5¾ % Convertible Debentures, Series 'D' due November 1, 1984	275,000	272,250
		<u>\$ 1,295,960</u>

PREFERRED SHARES (2.61% of net assets)

Canadian Pacific Railway Co. 4% non-cumulative		
—units of 5 shares of \$3 par value	40,000	\$ 400,000
—units of 5 shares of £1 par value	10,000	82,500
The Overland Express Ltd. — non-voting second pref.	30,000	232,500
		<u>\$ 715,000</u>

COMMON AND CONVERTIBLE PREFERRED SHARES (93.37% of net assets)

	Number of Shares	Market Value
BANKS (13.96% of net assets)		
Bank of Nova Scotia	60,000	\$ 1,575,000
Canadian Imperial Bank of Commerce	50,000	1,125,000
Toronto-Dominion Bank	50,000	1,125,000
		<u>\$ 3,825,000</u>

ENTERTAINMENT (6.39% of net assets)

Famous Players Canadian Corp. Ltd.	13,000	\$ 1,001,000
Maple Leaf Gardens Ltd.	9,850	290,575
Standard Broadcasting Corp. Ltd.	40,000	460,000
		<u>\$ 1,751,575</u>

FINANCIAL AND INSURANCE (7.53% of net assets)

Argus Corporation Ltd. Class "C" Participating Pref.	35,000	\$ 476,875
Canada Permanent Mortgage Corp.	17,000	195,500
Dominion of Canada General Insurance Co.	12,000	1,080,000
Reed, Shaw, Osler Ltd.	17,000	310,250
		<u>\$ 2,062,625</u>

COMMON STOCKS (Continued)

	Number of Shares	Market Value
FOOD, BEVERAGE AND TOBACCO (11.78% of net assets)		
Bright & Co. Ltd., T. G.	7,500	\$ 671,250
Canadian Breweries Ltd.	50,000	500,000
Distillers Corp.-Seagrams Ltd.	16,000	808,000
General Bakeries Ltd.	25,000	153,125
Rothmans of Pall Mall Canada Ltd.	20,000	460,000
Walker-Gooderham & Worts Ltd., Hiram	15,000	633,750
		<u>\$ 3,226,125</u>
GENERAL MANUFACTURING (5.15% of net assets)		
Avco Corporation \$3.20 Cum. Conv. Pref.	3,000	\$ 311,293
Corning Glass Works	700	216,028
Ford Motor Co. of Canada Ltd.	250	73,750
International Business Machines Corporation	2,400	810,810
		<u>\$ 1,411,881</u>
HEAVY INDUSTRY (8.00% of net assets)		
Babcock & Wilcox Co.	8,000	\$ 341,055
Boeing Company	3,000	182,995
Dominion Foundries & Steel Ltd.	20,000	467,500
General Dynamics Corporation	8,000	395,752
Slater Steel Industries Limited	24,700	407,550
Steel Co. of Canada Ltd.	15,000	397,500
		<u>\$ 2,192,352</u>
METALS AND MINING (11.33% of net assets)		
Cassiar Asbestos Corporation Ltd.	30,000	\$ 457,500
Denison Mines Ltd.	12,000	810,000
Hollinger Mines Ltd.	30,000	1,005,000
International Nickel Co. of Canada Ltd.	20,000	830,000
		<u>\$ 3,102,500</u>
PAPER AND FOREST PRODUCTS (2.94% of net assets)		
Abitibi Paper Co. Ltd.	40,000	\$ 375,000
MacMillan, Bloedel Ltd.	15,000	431,250
		<u>\$ 806,250</u>
PETROLEUM AND PIPELINES (6.40% of net assets)		
Gulf Oil Canada Ltd.	15,000	\$ 690,000
Interprovincial Pipe Line Co.	35,000	704,375
Supertest Petroleum Corp. Ltd., ordinary	10,000	360,000
		<u>\$ 1,754,375</u>

COMMON STOCKS (Continued)

	Number of Shares	Market Value
PRINTING AND PUBLISHING (4.48% of net assets)		
British American Bank Note Co. Ltd.	4,550	\$ 255,937
Moore Corporation Ltd.	30,000	971,250
		<u>\$ 1,227,187</u>
PUBLIC UTILITIES (8.91% of net assets)		
British Columbia Telephone Company	12,000	\$ 828,000
Consumers' Gas Co.	33,000	660,000
International Utilities Corporation	10,000	450,000
Union Gas Co. of Canada Ltd.	30,000	498,750
		<u>\$ 2,436,750</u>
TRANSPORTATION (4.05% of net assets)		
Canadian Pacific Railway Co.	10,000	\$ 768,750
Penn Central Company	5,000	339,849
		<u>\$ 1,108,599</u>
MISCELLANEOUS (2.45% of net assets)		
Scudder Special Fund Inc.	12,000	\$ 567,696
Sundry Securities		103,029
		<u>\$ 670,725</u>
TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES		<u>\$25,575,944</u>

SUMMARY

	Market Value	% of Net Assets
Bonds and debentures	\$ 1,295,960	4.73%
Preferred shares	715,000	2.61
Common and convertible preferred shares	25,575,944	93.37
Cash and cash items (net)	(194,229)	(0.71)
TOTAL NET ASSETS	<u>\$27,392,675</u>	<u>100.00%</u>

ECONOMIC INVESTMENT TRUST LIMITED

Financial Record—1928-1968

Year Ending March 31	Gross Income	Bond and Debenture Interest	Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preferred Shares†	Available for Common Shares	Common Shares Outstanding*	Asset Value per Common Share*
1928	\$106,907	\$20,742	\$24,968	\$ 1,361	\$ 59,836	\$ 1,794,643	\$1,000,000	\$ 794,643	\$ 403,125	\$ 1.97
1933	98,327	48,664	12,562	563	36,538	1,161,715	962,500	199,215	499,062	0.40
1938	157,194	48,216	16,507	3,090	89,381	2,028,005	1,000,000	1,028,005	499,062	2.06
1943	156,515	50,000	15,884	11,079	79,552	2,604,866	1,000,000	1,604,866	499,062	3.22
1948	157,877	30,000	17,823	—	110,054	3,522,969	1,000,000	2,522,969	500,000	5.05
Year Ending Dec. 31										
1953	276,684	37,500	29,782	19,500	189,902	5,197,984	1,250,000	3,947,984	625,000	6.32
1958	383,929	97,600	31,084	10,500	244,745	10,803,061	2,940,000	7,863,061	757,500	10.32
1959	398,300	97,400	34,307	16,000	250,593	11,125,566	2,920,000	8,205,566	760,000	10.72
1960	431,706	95,955	38,137	18,000	279,614	11,462,158	2,902,500	8,559,658	762,185	11.19
1961	489,840	84,910	36,670	20,000	348,260	15,222,286	2,509,500	12,712,786	969,855	13.09
1962	548,028	65,025	42,276	13,000	427,727	15,959,654	4,100,000	11,859,654	1,032,940	11.48
1963	614,170	60,000	44,780	14,000	495,390	17,633,299	4,100,000	13,533,299	1,032,940	13.10
1964	678,595	—	51,437	11,000	616,158	20,955,088	5,250,000	15,705,088	1,032,940	15.20
1965	762,143	—	50,255	8,000	703,888	21,897,735	5,250,000	16,647,735	1,032,940	16.12
1966	800,963	—	50,241	13,500	737,222	19,613,106	5,250,000	14,363,106	1,032,940	13.91
1967	858,076	—	50,304	19,000	788,772	23,076,097	5,128,462	17,947,635	1,032,940	17.38
1968	805,538	—	53,715	19,000	732,823	27,392,675	5,061,263	22,331,412	1,032,940	21.62

* Adjusted for 5-for-2 split in 1951 and 5-for-1 split in 1963.

† Preferred Shares at redemption price of \$52.50 per share.

